



The President's Daily Brief

25 October 1971

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Top Secret^{50X1}

FOR THE PRESIDENT ONLY**THE PRESIDENT'S DAILY BRIEF**

25 October 1971

PRINCIPAL DEVELOPMENTS

Armed clashes along the Indian-East Pakistani border continue, but there are also signs that tensions may be easing a bit. (Page 1)

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| | Communist China | |
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Cambodia has announced economic reforms, clearing the way for a US aid grant, as well as the creation of an international exchange support fund. (Page 3)

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| | Soviet | |
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INDIA-PAKISTAN

[redacted] incidents along the border between East Pakistan and India continue, perhaps at an increasing rate. [redacted]

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On Saturday Indian officials [redacted] confirmed that all of India's 700,000 army reserves were being called up, as well as selected navy and air force reserves.

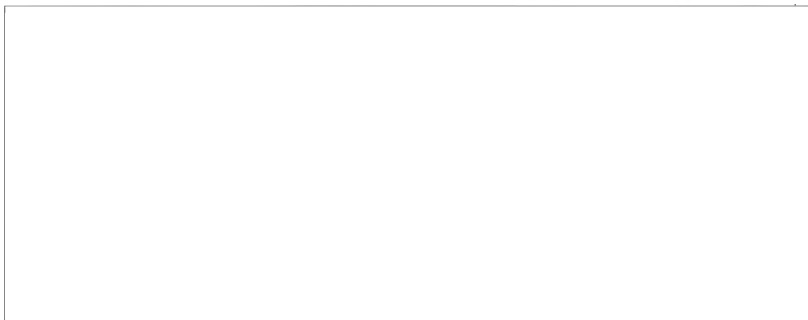
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Of the army reserves, only some 44,000 are sufficiently trained and equipped to be considered useful in the near future.

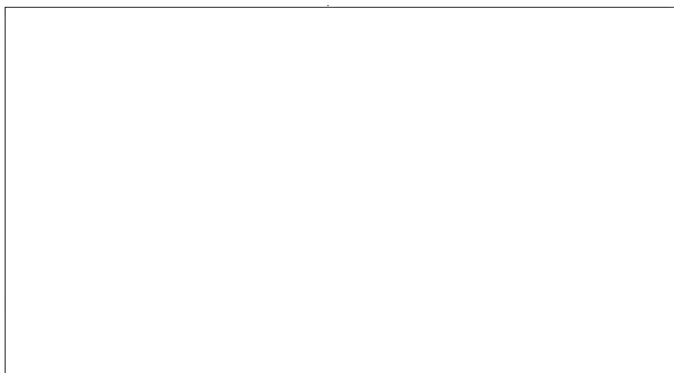
Against this background, a few hopeful straws in the wind have appeared. Mrs. Gandhi's brief speech to the nation on the eve of her departure yesterday for a three week foreign trip was relatively mild. T. N. Kaul, the senior Foreign Ministry civil servant accompanying her, told US Chargé Stone yesterday that tension had eased somewhat in the last few days.

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COMMUNIST CHINA



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CAMBODIA

Finance Minister Sok Chhong has announced reforms to stabilize the economy and check inflation. The key elements are liberalization of imports and abandonment of the official exchange rate of 55 riels per US\$1 in favor of a flexible rate. The program also encompasses cuts in spending, higher tax rates, stronger credit controls, and a possible relaxation of price controls.

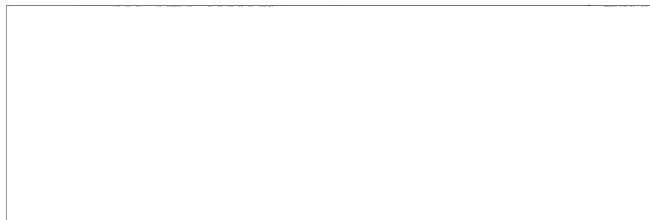
Implementation of the reforms will clear the way for a \$20-million US cash grant needed to bolster Cambodia's critically low foreign exchange reserves. Action on the reforms is also considered more or less a prerequisite to obtaining foreign contributions to an international exchange support fund now under consideration. Cambodian officials hope to complete plans for the fund at a donors' meeting in early November.

The reforms will be unpopular in some circles. Sok Chhong is said to have received a chilly reception from a group of Phnom Penh businessmen when he announced the new stabilization measures. Some of the audience were applauded when they berated Chhong for the increased prices that the program will cause at first.

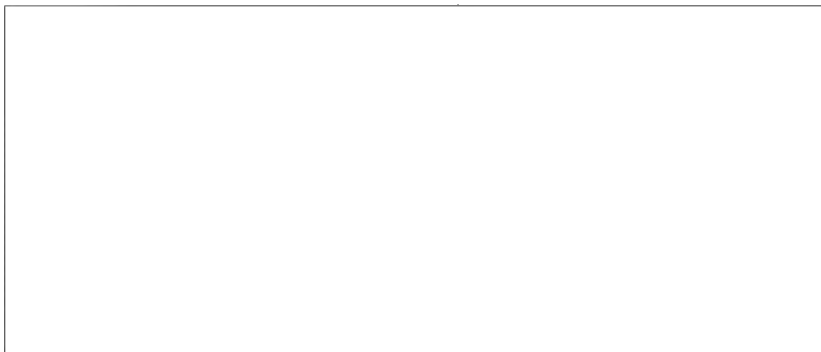
The government has also announced the general thrust of press censorship to be applied during the present "state of emergency." Articles need not be submitted for review before publication, but the regime has warned that if it considers any article inimical to government interests or as giving solace to the Communists, the offices of the offending publication will be closed. Moreover, those responsible for publishing such articles will be subject to trial by a military tribunal.

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CYPRUS



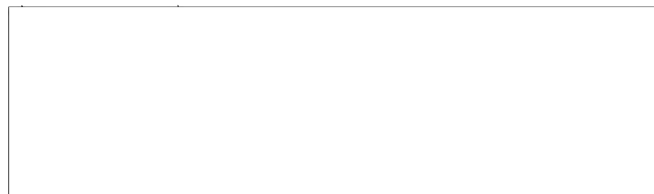
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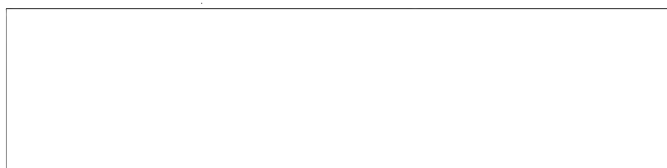
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NOTE

USSR: The Soviets are expending much scarce hard currency to buy large amounts of Western grain for delivery through mid-1972. Contracts so far this year amount to \$300 million. Even though this fall's harvest has been very good, Soviet trade representatives are dickering for another \$200-300 million worth of Western feed grains, apparently to increase the production of meat. Should these deals go through, Moscow may need to sell some gold if it intends to maintain purchases of industrial goods incorporating advanced western technology at recent levels.

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